



Monthly Economic Update

February 2005



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This report is a monthly update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.montgomerycountymd.gov/finance>. For questions, please call (240) 777-8866.

➤ **Economic Conditions.** The national economy continued to show positive momentum in February. Industrial production was up 0.3 percent, manufacturing and non-manufacturing activities grew 55.3 percent and 60 percent, respectively, for the twenty-first consecutive month. The real estate market remained robust with housing starts at an annual rate of nearly 2.2 million units. That is the highest annual rate since February 1984. Consumers continued to spend with retail sales up 5.6 percent in February over February 2004. While consumer confidence declined one percent in February, the Conference Board stated that consumers are currently more optimistic than they were a year ago. Such confidence is attributed to the labor market which gathered momentum in February. Businesses continued to hire adding 229,000 jobs in February with the goods-producing sector showing its largest increase since May of last year.

However, not all indicators experienced upward momentum. The stock market remained negative during most of the first quarter. As of mid-March, all major stock indices were below their December highs. The markets remain uncertain about energy prices and the steady "upward drift" in inflation raising concern with even stronger interest rate hikes this year by the Federal Reserve. The consumer prices have been at the three percent level eight of the past ten months and producer prices have exceeded the four percent threshold each of the last five months. Business investment in capital goods, excluding defense and transportation, was down 2.1 percent in February.

➤ **Labor Market.** The Bureau of Labor Statistics, U.S. Department of Labor, and the Maryland Department of Labor, Licensing and Regulation (DLLR) revised the County's 2004 labor force data. As such, there were significant revisions to the number employed, unemployed, and the unemployment rate for 2004. According to the latest DLLR Monthly Labor Review, a new method of calculating employment/unemployment was used in the development of

county level data. Therefore, comparisons of the 2004 data to previous years are meaningless until historical data have been revised.

Based on those revisions, the County's unemployment rate, which previously was only 2.0 percent in December, was upwardly revised to 3.4 percent in January compared to a revised 3.5 percent in January 2004 and 4.7 percent for the State. The County's rate remains among the lowest in the State compared to other counties and Baltimore City. Resident employment grew 0.5 percent in January from January 2004 to nearly 493,300.

Total payroll employment averaged nearly 447,000 during the third quarter of 2004, the latest date for which data are available. During the first three quarters of 2004, private-sector employment in the County increased 1.2 percent (↑ 4,500 jobs) compared to the first three quarters of 2003.

➤ **Real Estate.** Home sales in the County were up 13.1 percent in February compared to February 2004. Prices continued to increase with average prices up 17.8 percent and median prices up 21.0 percent over last year. However, while sales increased in February, the average time a home was on the market increased to 37 days from 26 days a year ago.

According to *The Washington Post*, the most expensive Zip codes in the County in 2004 were in Bethesda, Glen Echo, and Potomac areas with median selling prices of \$755,000 (Zip code 20815) and \$720,000 (Zip code 20816 and Zip code 20854). The newspaper also states that the median home prices in the County jumped 18.7 percent in 2004 to \$365,000 compared to an increase of 17.6 percent to \$329,290 for the region.

Residential construction declined in February with a 12.0 percent decrease in the value of construction starts compared to February 2004. However, the value of non-residential construction starts increased 24.2 percent in February compared to last year. The increase was solely attributed to construction of office and bank buildings and garage and service stations.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		2003
				2004	2003	
Leading Indicators						
National	Jan	-0.3%		1.4%		3.0%
Washington MSA	Dec. '04	1.1%		1.8%		2.3%
Coincident Indicators						
National	Jan	0.0%		3.4%		1.6%
Washington MSA	Dec. '04	1.8%		7.6%		1.4%
Consumer Confidence Index						
National	Feb	-1.0%		8.3%		17.5%
South Atlantic Region	Feb	5.9%		11.4%		16.5%
Consumer Price Index						
All Items (nsa)						
National	Feb	3.0%		2.7%		2.3%
Washington - Baltimore CMSA	Jan	3.6%		2.8%		2.8%
Core CPI (nsa)						
National	Feb	2.4%		1.7%		1.5%
Washington - Baltimore CMSA	Jan	3.3%		1.8%		2.4%
Retail Trade						
National (sales - nsa)	Feb	5.6%		8.0%		5.4%
Washington MSA (sales - nsa)	Dec. '04	8.0%		7.8%		6.5%
Maryland (sales tax)	Jan	7.0%		9.1%		3.5%
Montgomery County (sales tax)	Jan	4.3%		6.7%		4.0%
Employment						
National (labor force data - nsa)	Feb	139,100,000	137,384,000	139,252,000	137,736,000	137,736,000
- Percent Change		1.2%		1.1%		0.9%
Washington PMSA (labor force data - nsa)	Jan	2,736,041	2,679,507	2,712,456	2,669,899	2,669,899
- Percent Change		2.1%		1.6%		1.4%
Montgomery County (labor force data)	Jan (rev.)	493,274		(See footnote to the table below)		
- Percent Change						1.1%
Montgomery County (payroll)*	Sept. '04(adjusted)	450,550	445,098	444,591	442,850	442,850
- Percent Change		1.2%		0.4%		0.5%
Unemployment						
National (nsa)	Jan	5.7%	6.3%	5.5%	6.0%	6.0%
Maryland (nsa)	Jan (rev.)	4.7%	4.7%	(See footnote to the table below)		
Washington PMSA (nsa)	Jan (rev.)	3.7%	3.9%	(See footnote to the table below)		
Montgomery County (nsa)	Jan (rev.)	3.4%	3.3%	(See footnote to the table below)		
Construction						
Construction Starts - Montgomery County						
Total (\$ thousand)	Feb	\$52,530	\$49,500	\$1,259,919	\$1,134,582	\$1,134,582
- Percent Change		6.1%		11.0%		-31.6%
Residential (\$ thousand)	Feb	\$21,780	\$24,742	\$677,705	\$676,613	\$676,613
- Percent Change		-12.0%		0.2%		-15.7%
Non-Residential (\$ thousand)	Feb	\$30,750	\$24,758	\$582,214	\$457,969	\$457,969
- Percent Change		24.2%		27.1%		-46.5%
Building Permits (Residential)						
National	Jan	138,159	126,452	2,024,211	1,862,365	1,862,365
- Percent Change		9.3%		8.7%		6.6%
Maryland	Jan	1,549	1,845	28,384	30,125	30,125
- Percent Change		-16.0%		-5.8%		2.8%
Montgomery County	Jan	114	344	3,798	4,590	4,590
- Percent Change		-66.9%		-17.3%		-8.4%
Building Permits (Non-Residential)						
Montgomery County	Feb	149	135	1,966	1,798	1,798
- Percent Change		10.4%		9.3%		-3.2%
Real Estate						
National (saar)						
Sales	Feb	6,790,000	6,400,000	6,784,000	6,183,000	6,183,000
- Percent Change		6.1%		9.7%		9.8%
Median Price	Feb	\$191,000	\$172,000	\$185,200	\$169,500	\$169,500
- Percent Change		11.0%		9.3%		8.5%
Montgomery County						
Sales	Feb	1,001	885	17,771	16,534	16,534
- Percent Change		13.1%		7.5%		2.9%
Average Price	Feb	\$434,535	\$368,885	\$429,454	\$362,997	\$362,997
- Percent Change		17.8%		18.3%		13.2%
Median Price	Feb	\$375,000	\$310,000	\$369,900	\$295,500	\$295,500
- Percent Change		21.0%		25.2%		15.5%
Average Days on the Market	Feb	37	26	27	27	27
NOTES:						

NOTES:

(rev.): Starting with January 2005, the Bureau of Labor Statistics, U.S. Department of Labor, instituted a new method of calculating employment and unemployment. Therefore, data for previous years are not meaningful until they are revised.

(adjusted): ES-202 series adjusted for noneconomic coding revisions by DLLR.

*Payroll data under 2004 and 2003 pertain to 2003 and 2002 respectively.